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SEC Mail Processing  
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

DEC 07 2020

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2023
Estimated average burden hours per response..... 12.00

SEC FILE NUMBER
8-65595

Washington, DC

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/01/19 AND ENDING 09/30/20  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: SUN'S BROTHERS SECURITIES, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

6770 HAWAII KAI DR. UNIT 209

(No. and Street)

HONOLULU

HI

96825

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MIN WON YANG, PRESIDENT

808-538-0590

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

DAVILA ADVISORY LLC

(Name - if individual, state last, first, middle name)

4220 DUNCAN AVE. STE 201 SAINT LOUIS

MO

63110

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (11-05)

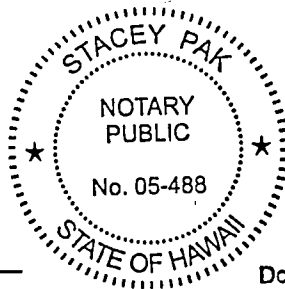
Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

### OATH OR AFFIRMATION

I, MINWON YANG, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of SUN'S BROTHERS SECURITIES INC., as of SEPTEMBER 30, 2020, are true and correct. I further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

State of Hawaii, City and County of Honolulu  
Subscribed and sworn to before me  
this 28<sup>th</sup> day of Nov., 2020 by  
Stacey Pak  
Stacey Pak

Notary Public  
COMMISSION EXPIRES ON JULY 19, 2023

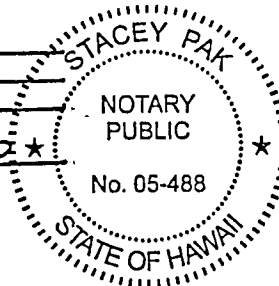


Minwon Yang  
Signature  
President  
Title

Doc. Date: 11/28/2020 # Pages: 1  
Stacey Pak First Circuit  
Doc. Description Oath or  
Affirmation

Stacey Pak 11/28/2020 ★  
Notary Signature Date

NOTARY CERTIFICATION



This report\*\* contains (check all applicable boxes):

- |                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | (a) Facing Page.   |
| <input checked="" type="checkbox"/> | (b) Statement of Financial Condition.  |
| <input checked="" type="checkbox"/> | (c) Statement of Income (Loss).  |
| <input checked="" type="checkbox"/> | (d) State of Cash Flows.   |
| <input checked="" type="checkbox"/> | (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.  |
| <input type="checkbox"/>            | (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.   |
| <input checked="" type="checkbox"/> | (g) Computation of Net Capital   |
| <input type="checkbox"/>            | (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c-3-3.  |
| <input type="checkbox"/>            | (i) Information Relating to the Possession or Control Requirements Under Rule 15c-3-3.   |
| <input type="checkbox"/>            | (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3. |
| <input type="checkbox"/>            | (k) A Reconciliation between audited and unaudited Statements of Financial Condition with respect to methods of consolidation.   |
| <input checked="" type="checkbox"/> | (l) An Oath or Affirmation   |
| <input type="checkbox"/>            | (m) A copy of the SPIC Supplemental Report   |
| <input checked="" type="checkbox"/> | (n) Exemption Report   |

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**SUN'S BROTHERS SECURITIES, INC.****C O N T E N T S**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL CONDITION**

**STATEMENT OF OPERATIONS**

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**

**STATEMENT OF CASH FLOWS**

**NOTES TO FINANCIAL STATEMENTS**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE I - SCHEDULE OF COMPUTATION OF NET CAPITAL UNDER SEC  
RULE 15c3-1**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**- EXEMPTION REPORT**



*REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM*

Board of Directors  
Sun's Brothers Securities Inc.

***Opinion on the Financial Statements***

We have audited the accompanying statement of financial condition of Sun's Brothers Securities Inc., as of September 30, 2020, and the related statements of operations, changes in shareholder's equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Sun's Brothers Securities Inc. as of September 30, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to Sun's Brothers Securities Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

***Supplemental Information***

The information identified as Computation of Net Capital and Aggregate Indebtedness (the "supplemental information") has been subjected to audit procedures performed in conjunction with the audit of Sun's Brothers Securities Inc.'s financial statements. The supplemental information is the responsibility of the entity's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as Sun's Brothers Securities Inc.'s auditor since 2020.

*Davila Advisory, LLC*

Saint Louis, Missouri  
November 27, 2020

**SUN'S BROTHERS SECURITIES, INC.**

**STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2020**

**ASSETS**

Current Assets

Cash in bank	\$	63,897
Receivable from clearing broker		<u>31,445</u>
Total Current Assets		95,342

Office Equipment: net of accumulated depreciation of \$17,476		644
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Other Assets

Deposit with clearing Broker-Dealer		101,862
Prepaid assets		<u>652</u>
Total Other Assets		102,514

Total Assets	\$	<u>198,500</u>
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**LIABILITIES AND SHAREHOLDER'S EQUITY**

Current Liabilities

Accounts payable and accrued expenses	\$	33,800
Commissions payable		2,098
Income tax payable		<u>13,054</u>
Total Current Liabilities		48,952

Other Liabilities

Line of credit		<u>30,118</u>
Total Liabilities		79,070

Shareholder's equity:

Common stock, \$1.00 par value; 1,000 Shares authorized, issued and outstanding		1,000
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Additional paid-in capital		97,346
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Retained earnings (Deficit)		<u>21,084</u>
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Total Shareholder's Equity		<u>119,430</u>
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Total Liabilities and Shareholder's Equity	\$	<u>198,500</u>
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The accompanying notes are an integral part of these financial statements

**SUN'S BROTHERS SECURITIES, INC.**

**STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Revenue:**

Commissions	\$ 607,449
Other Revenue	<u>197</u>
Total Revenue	<u>\$ 607,646</u>

**Expense:**

Depreciation	\$ 217
Interest expense	4,018
Compensation of officers	293,795
Clearing & execution charges	26,359
Commissions expense	10,373
Rent	7200
Hawaii General Excise Tax	168
Other operating expenses	<u>144,644</u>
Total Expenses	<u>486,774</u>
Income before provision for Income Tax	120,872

Income Tax	<u>12,575</u>
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Net Income	<u>\$ 108,297</u>
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The accompanying notes are an integral part of these financial statements

**SUN'S BROTHERS SECURITIES, INC.**

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Capital Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings (Deficit)</b>	<b>Total Stock- holder's Equity</b>
Balance at September 30, 2019	\$ 1,000	\$ 130,793	\$ (87,213)	\$ 44,580
Contribution of Capital				0.00
Return of Capital		(33,447)		(33,447)
Net Income			108,297	108,297
Balance at September 30, 2020	\$ 1,000	\$ 97,346	\$ 21,084	\$ 119,430

The accompanying notes are an integral part of these financial statements

**SUN'S BROTHERS SECURITIES, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Cash Flows from operating activities:

Net Income \$ 108,297

Adjustments to reconcile net loss to net cash  
provided by operations:

Depreciation	207
Receivable from clearing broker	(28,465)
Accounts payable	(9,148)
Commission payable	(10)
Prepaid asset	(126)
Interest received	(1,447)
Rent payable	(4,000)
Tax payable	<u>28,805</u>
Net Cash Provided by Operating Activities	\$ <u>93,583</u>

Cash Flows From Investing Activities

Purchase of equipment	<u>(540)</u>
Net Cash Used by Investing Activities	\$ <u>(540)</u>

Cash flows from financing activities:

Return of capital	\$ <u>(33,447)</u>
Decrease in line of credit	<u>(6,826)</u>
Net Cash Used by financing activities	\$ <u>(40,273)</u>

Net change in Cash \$ 53,310

Cash Balance at September 30, 2019 \$ 10,587

Cash Balance at September 30, 2020 \$ 63,897

Supplemental Information

Interest paid	\$ 4,018
Hawaii General Excise Tax paid	\$ 168

The accompanying notes are an integral part of these financial statements



# **SUN'S BROTHERS SECURITIES, INC.**

## **NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2020**

### **Note A - Summary of Significant Accounting Policies:**

#### **Business activities:**

Sun's Brothers Securities, Inc. (the Company) was registered on December 16, 2002 as a Broker/Dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 with the National Association of Security Dealers, Inc. (Now the Financial Industry Regulatory Agency, FINRA) Central Registration Depository System.

In accordance with this registration the nature and scope of Sun's Brothers Securities, Inc.'s activities are the sale of securities and related financial services in the State of Hawaii. Sun's Brothers Securities, Inc. is required to maintain a minimum "net capital" of \$5,000 at all times.

#### **Basis of Accounting**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP).

#### **Recognition of Revenue**

Effective October 1, 2018, the Company adapted ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). The new revenue recognition guidance requires an entity to follow a five step model to (a) identify the contact(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies the performance obligation. The Company applied the modified retrospective method for adoption which did not result in a cumulative adjustment to retained earnings as of October 1, 2020.

Revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenues are analyzed to determine whether the Company is the principal (i.e., reports revenue on a gross basis) or agent (i.e., reports revenues on a net basis) in the contract. Principal or agent designations depend primarily on the control an entity has over the product or service before control is transferred to a customer. The indicators of which party exercises control include primary responsibility over performance obligations. Inventory risk before the good or service is transferred and discretion in establishing the price.

In regard to ASC Topic 606, revenue has been disaggregated on the Statement of Operations. No further disaggregation is warranted at September 30, 2020.

Commission revenue and related expenses arising from securities transactions are recorded on a settlement date basis, an industry standard.

## **SUN'S BROTHERS SECURITIES, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2020**

#### **Securities Transactions**

Commission revenue and related expenses arising from securities transactions are recorded on a trade date basis, which is the same day as the transaction date.

#### **Cash and Cash Equivalents:**

The Company considers all short-term investments with an original maturity of three months or less that are not required to be segregated under Federal or other regulations to be cash and cash equivalents. The Company had cash and cash equivalents of \$63,897 at September 30, 2020.

#### **Concentrations of credit risk:**

The Company is engaged in various activities in private placement of securities in which counter parties, primarily broker-dealers, banks, and other financial institutions participate. In the event counter parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

#### **Estimates:**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, and reported revenues and expenses during the year. Actual results could differ from those estimates.

#### **Office Equipment:**

Office Equipment is stated at cost. Depreciation is computed using the accelerated method over five years which represents the estimated useful lives of the assets.

#### **Income taxes:**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. The Company had taxable income of \$128,943 for both Federal and State taxes during the period. Resulting in net taxable income of \$48,583 after deducting net loss of \$80,360, carried forward from the previous period. The income taxes accrued for Federal and State were \$10,552 and \$2,500 respectively during the period.

The Company's tax filings are subject to audit by various taxing authorities. The Company's Federal Income Tax Returns for the years ended September 30, 2017, 2018, and 2019 remain open to examination by the Internal Revenue Service; State Income Tax Returns for the same periods remain open to examination by the State of Hawaii. In evaluating the Company's tax provisions and accruals, the Company believes that its estimates are appropriate based on current facts and circumstances.

### **NOTES TO FINANCIAL STATEMENTS**

## **SUN'S BROTHERS SECURITIES, INC.**

### **NOTES TO FINANCIAL STATEMENTS** **For the Year Ended September 30, 2020**

#### **Note B - Net Capital Requirements:**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requirements that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At September 30, 2020, the Company had net capital of \$118,134 which was \$112,863 in excess of its required net capital of \$5,271. The Company's ratio of aggregate indebtedness to net capital was 67% at September 30, 2020.

#### **Note C - Fully Disclosed Clearing Agreement:**

The Company has a fully disclosed clearing agreement with a broker-dealer to execute orders, and the clearance and settlement of all transactions, for the Company's customers.

#### **Note D - Related Party Information**

The sole shareholder has provided office space for the Company on a month to month basis, for which the Company has incurred \$7,200 in rent expense.

#### **Note E - Concentrations**

89% of the commission revenue earned for the year ended September 30, 2020 came from transactions on behalf of 2 customers.

#### **Note F - SBA Line of Credit**

The Company has an unsecured line of credit agreement with Central Pacific Bank which provides that the Company may borrow up to \$50,000. Borrowing under the line accrues interest at an annual rate of 7.0% and daily periodic rate of .01918%. There was an outstanding balance of \$30,118 on September 30, 2020. Maturity of Line of Credit is February 5, 2023. As part of coronavirus debt relief effort, 6 months of principal and interest have been paid by Small Business Administration (SBA)

**SUN'S BROTHERS SECURITIES, INC.**

**SCHEDULE I – COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS  
SEPTEMBER 30, 2020**

**COMPUTATION OF NET CAPITAL**

Total ownership equity (from statement of financial condition)	\$ 119,430
Add:	
Allowable credits	-
Total capital and allowable credits	119,430
Deduct:	
Non-allowable assets	1,296
Net capital before haircuts on securities positions	118,134
Haircuts on securities	-
Net Capital	\$ 118,134

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS**

Minimum net capital required: (6-2/3%) of aggregate indebtedness:

Aggregate indebtedness	\$ 79,070
6-2/3% of above	5,271
Minimum dollar net capital requirement of broker-dealer	5,000
Net capital requirement (greater of above amounts)	5,271
Excess net capital	\$ 112,863

There are no material differences between the computations above and the computations included in the Company's corresponding unaudited Form X-17A-5 Part IIA filing, as amended on November 27, 2020.

See report of Independent Registered Public Accounting Firm



*REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM*

Board of Directors  
Sun's Brothers Securities Inc.

We have reviewed management's statements, included in the accompanying exemption report, in which (1) Sun's Brothers Securities Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Sun's Brothers Securities Inc. claimed an exemption from 17 C.F.R. §240.15c3-3(k)(2)(ii) (the "exemption provisions") and (2) Sun's Brothers Securities Inc. stated that Sun's Brothers Securities Inc. met the identified exemption provisions throughout the most recent fiscal year ended September 30, 2020 without exception. Sun's Brothers Securities Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Sun's Brothers Securities Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Davila Advisory, LLC*

Saint Louis, Missouri  
November 27, 2020

**EXEMPTION REPORT**  
**SEC Rule 17a-5(d)(4)**

November 19, 2020

The below information is designed to meet the Exemption Report criteria pursuant to SEC Rule 17a-5(d)(4):

- Sun's Brothers Securities, Inc. is a broker/ dealer registered with the SEC and FINRA
- Sun's Brothers Securities, Inc. claimed an exemption under paragraph (k)(2)(ii) of Rule 15c3-3 for the year ended September 30, 2020.
- Sun's Brothers Securities, Inc. is exempt from provisions of Rule 15c3-3 because it meets conditions set forth in paragraph (k)(2)(ii) of the rule, of which, the identity of the specific conditions are as follows:
  - The provisions of the Customer Protection Rule shall not be applicable to a broker or dealer who, as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rule 17a-3 and Rule 17a-4, as are customarily made and kept by a clearing broker or dealer.
- Sun's Brothers Securities, Inc. has met the identified exemption provisions in paragraph (k)(2)(ii) of Rule 15c3-3 throughout the year ended September 30, 2020 without exception.
- Sun's Brothers Securities, Inc. has not recorded any exceptions to the exemption provision in paragraph (k)(2)(ii) of Rule 15c3-3 for the year ended September 30, 2020.

The above statements are true and correct to the best of my and the Firm's knowledge.

Signature: Minwon Yang

Name and Title: MINWON YANG President